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FISCAL IMPACT OF LAND DEVELOPMENT ALTERNATIVES

TOWN OF CLARENCE, ERIE COUNTY

Prepared for:
Town of Clarence

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SUMMARY

The Town of Clarence, Erie County's oldest town, is one of the most rapidly growing suburban towns in Western New York. Its population rose to nearly 23,000 in 1998, up 15 percent from the start of the decade. The value of real property in the Town increased dramatically during the 1990s, jumping 40 percent between 1994 and 2000. Given its location on the eastern side of Amherst, the region's most rapidly developing commercial and industrial corridor, Clarence is updating its Comprehensive Plan to address issues related to maintaining fiscal health and preserving community character.

Modeling the Fiscal Impact of Development

CGR has developed an analysis of the fiscal impact of the Town of Clarence's development alternatives. Using a series of explicit assumptions as its foundation, the CGR model estimates incremental costs and benefits for different development alternatives. Each of four development scenarios modeled by CGR – a full build-out, the Town's future land use plan, enhanced commercial/industrial development, and lower-density residential development – would drop property taxes over a 20-year period.

The results that appear below should be interpreted as if this future residential and commercial/industrial development were to occur tomorrow – the cost structure facing the school districts and the Town is assumed to be constant. The model does not make any forecasts of changes in per unit costs of public services nor about the relationship between service cost inflation and real estate price inflation. The prices and cost conditions of the year 2000 are assumed to be constant so that the effect of increasing

development can be studied separately from other factors affecting the cost of local government.

The present Clarence Comprehensive Plan is being reviewed. This report was developed to support that master plan review process.

Findings

The long-term stability or reduction of property taxes will be the result of a proper mixture of residential and commercial/industrial development in the Town of Clarence. Calculated over a 20-year time horizon, the Town's Future Land Use Plan will push aggregate property taxes 3.5 and 3.3 percent lower in the CCSD and WCSD portions of the Town, respectively. An enhanced commercial/industrial development strategy would see aggregate property taxes fall by a larger amount over 20 years – between 4.5 and 9 percent Townwide.

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FISCAL ANALYSIS OF CLARENCE'S BUILD-OUT ALTERNATIVES

CGR's fiscal impact model estimates incremental costs and benefits for different development patterns in the community. The model is based largely on data from residential and commercial development, local government expenditures, and school district costs.

The Incremental Impact of Development

The model estimates the effect of exchanging vacant (or otherwise undeveloped) land for some alternative form of land use – residential, industrial, office or retail. Residential development is measured in terms of additional housing units constructed on unused land. Impacts from residential development are captured by estimating effects on the Town of Clarence, the Clarence Central School District, and the Williamsville Central School District budgets that are likely to result from an increase in housing units, population, and school enrollment.

Commercial and industrial development is measured in terms of additional square footage constructed. Like residential development, commercial and industrial development also has a fiscal impact in terms of Townwide assessment.

Community Characteristics

Assumptions for the fiscal and demographic characteristics of the Town of Clarence, the Clarence Central School District and the Williamsville Central School District are detailed in the Appendix (Tables 1 and 2).

Town of Clarence

Population data for the Town of Clarence is drawn from 1998 population estimates for minor civil divisions as reported by the New York State Data Center. The number of housing units is based on tax parcel records as reported by the Town of Clarence Assessor's office. Information on assessed values comes from the Assessor's office, and equalization information comes from the New York State Office of Real Property Services (ORPS).

Clarence and Williamsville Central School Districts

The Town of Clarence encompasses three school districts – Akron, Clarence and Williamsville – with the latter two accounting for about 99 percent of school-aged children in the Town. As

such, CGR considered the implications of development on the Clarence and Williamsville Central School Districts, since impacts on Akron are likely to be minimal or nonexistent.

School district fiscal information is based on the 1999-2000 annual budgets for both Clarence and Williamsville. Clarence Central School District (CCSD) reports an operating budget of \$40.5 million, of which \$3.9 is for debt service. The district presently enrolls 4,400 students. Williamsville Central School District (WCSD) had a 1999-2000 operating budget of \$104.9 million and an enrollment of nearly 10,700. Roughly 13 percent of school-aged children in the CCSD attend private school, compared to 8 percent in the WCSD.




Assumptions in the Model

This fiscal impact model is designed as a predictor of changes in service costs and revenues that are likely to result from community growth. As the future is unknown, information from the past and from other communities – plus the professional judgment of CGR and Town of Clarence planning staff and committee members – was used to develop a set of assumptions about the future. These parameters provide the basis on which the model predicts fiscal impacts on the Town from pursuing one development strategy over another. The validity of these assumptions is tested by exploring the importance and impact of each to the conclusions of the analysis.

The modeling effort is not an attempt to forecast future tax rates. Tax rates—particularly for public education—are driven by a wide range of different factors. School taxes are strongly influenced by changes in state and federal policy, for example. The NYS Regents' recent modifications of requirements for teacher certification are likely to spur a modest increase in overall teacher salaries; parents' interest in smaller class sizes could lead to an increase in the number of classrooms, increasing the number of teachers hired. The CGR model is intended to test the impact of alternative land use policies, all other things remaining the same. The only changes that are modeled here are costs that are directly influenced by growth.

Town of Clarence

The appendix (Table 3) presents the Town of Clarence's 2000 adopted budget, annotated with a detailed explanation of the assumptions used to estimate the revenue and expense implications resulting from increases in housing units and population. The following abbreviations apply to this summary:

-  **FIXED** denotes no change. Some costs are expected to remain constant over the growth range of the Town modeled in this fiscal analysis. For example, the expenses of the Town Board and Supervisor's office are assumed to remain constant as the community expands at a reasonable pace. Barring a new form of government or dramatic/unreasonable spikes in development rates, these costs will not change with community growth.
-  **POP** denotes population-driven changes. These services and expenditures will grow as the Town's population increases. Demand for recreation programs, for example, depends on the total population. Programs of this nature are assumed to be exclusively population-driven. Still other expenses are necessary regardless of population changes, but can be expected to grow concomitant with the size of the Town's population. These services are therefore a "mixture" of fixed costs and population-driven costs. For example, three-quarters of the cost of the justice system is expected to remain fixed regardless of population. Yet there will almost certainly be an impact on this service as the Town grows. That impact covers the remaining one-quarter of the expense for judicial services.
-  **UNIT** denotes housing unit-driven changes. Assessment, for example, is a service whose costs are assumed to grow in direct proportion to the number of housing units. More housing means more units to be assessed, which requires additional assessors, time, and paperwork. Other expenditure categories are assumed to grow as the number of units rises, but not in such a direct fashion. These costs are assumed to have a "mixture" of fixed costs and housing unit-driven costs.

School Districts

Data provided by CCSD indicate that the district has been successful in predicting future enrollment by assuming that homes contain approximately 0.45 school-aged children, on average. CGR's experience suggests, however, that the number of school-aged children per household for highly regarded suburban school districts tends to be slightly higher. This conforms to the notion that residents moving into the community and building new housing units do so largely out of a desire to have their children attend a higher quality school system. To test this assumption, CGR obtained new housing starts data from the Town of Clarence Assessor's office for Pine Breeze, a newer subdivision with moderate-range housing values. Business officials at CCSD reviewed the inventory of new housing starts and documented the number of public and private school students living in each. CGR found 1.02 (0.97 public school students and 0.05 private school students) school-aged children per *newly constructed* housing unit in the Town of Clarence, roughly twice the estimate used by CCSD.

One of the most significant impacts to a school district from adding students involves new construction. Determining a number for district "capacity" is extremely difficult, as space utilization within an existing building is based on both the composition of the student body (by grade level, special needs, etc.), curricular priorities, student-to-teacher ratio, and any existing lease arrangements (e.g., with the Board of Cooperative Educational Services, or BOCES). Based on conversations with officials at both the Clarence and Williamsville Districts, the model assumes that CCSD can absorb 200 additional students and WCSD 100 additional students without forcing construction in either.

The model uses New York State Education Department (NYSED) district expenditure reports to develop an operating cost per student figure ("Approved Operating Expenditures" divided by "Total Aidable Pupil Units"). This value is used to estimate the incremental cost of adding students to the district as new residential development occurs.

Construction cost per student is based mainly on NYSED facility planning cost projections. The Education Department estimates that the construction and incidental costs of adding a new

classroom to an existing facility total \$10,044 per student between kindergarten and 6th grade. The per-student construction cost for grades 7 through 12 is assumed to be \$15,694. These capacity expansion values are based on state averages and tailored to Erie County costs through the use of a regional cost factor provided by NYSED. The costs of expanding capacity in an existing school are assumed to be 75 percent of the cost of greenfield construction (i.e., entirely new classrooms on a new site).

In addition to state construction cost estimates, CGR reviewed and incorporated into the model recent construction experience in the Clarence Central School District. In 1992, CCSD built an addition to its junior high school and converted it to a middle school, adding approximately 15 classrooms, physical education space, music space, and media space at a total cost of \$8.9 million. More recently, the district completed a \$23 million high school project with a capacity of 1,600. Both projects received 67.2 percent in New York State school building aid.

Development Characteristics

The baseline development model depicts the 20-year impacts of pursuing the full build-out strategy modeled by Nutter Associates in its report, *Town of Clarence Land Use Service/Cost Revenue Generation Study Build Out Analysis*. Types of development are broken into the following mutually exclusive categories:

- ~~Residential A~~
- ~~Residential B~~
- ~~Agricultural Residential~~
- ~~Multiple Family Residential~~
- ~~Manufactured Housing (in Commercial districts)~~
- ~~Restricted Business~~
- ~~Neighborhood Business~~
- ~~Commercial~~
- ~~Major Arterial~~
- ~~Industrial~~

Build-Out Analysis

The baseline build-out analysis used in the model assumes roughly 5,700 new residential units and 12.5 million square feet of commercial/industrial space could be developed in the Town of Clarence. As the Town includes both the Clarence and Williamsville Central School Districts, development potential and rate is broken down into two sub-units of the Town: the Clarence CSD portion and the Williamsville CSD portion. This allows the Town to gauge the impacts of developing in one school district versus another.

Another advantage to dividing the Town into the Clarence CSD and Williamsville CSD portions involves development rates. Townwide, the Nutter Associates build-out analysis assumes the following development rates:

- ~~Residential A, 200 units/year;~~
- ~~Residential B, 12 units/year;~~
- ~~Agricultural Residential, 70 units/year;~~
- ~~Multifamily Residential, 35 units/year;~~
- ~~Restricted Business, 20,000 sq. ft./year;~~
- ~~Commercial, 60,000 sq. ft./year;~~
- ~~Major Arterial, 40,000 sq. ft./year; and~~
- ~~Industrial, 25,000 sq. ft./year.~~

The WCSD portion of Clarence, however, is assumed to be developing at a faster rate than the Town as a whole. The Town's western boundary, which is in the Williamsville CSD, is geographically closer to significant commercial and retail development in the Town of Amherst. As such, spillover development into Clarence is likely to be greater along this boundary. To reflect this increased rate, development in the Williamsville CSD portion of the Town is assumed to be twice that of the remainder of the Town.

To adjust development rates accordingly given available land, CGR devised category-by-category development rates for the Clarence and Williamsville CSD portions such that they total the

Townwide development rate in each category. First, CGR identified the percentage of total Townwide units or square footage (by category) that could be developed in each school district portion. As indicated in the following table, 97 percent of the developable Residential A units in the Town would be constructed in the Clarence CSD portion, with the remainder in the Williamsville CSD portion. Sixty-six percent of the Residential B units in the Town would be built in the CCSD portion, with 34 percent in the WCSD portion.

Distribution of Developable Land, Town of Clarence

	Clarence CSD Portion	Williamsville CSD Portion
Residential A	97%	3%
Residential B	66%	34%
Agricultural Residential	94%	6%
Multifamily Residential	97%	3%
Manufactured Housing	100%	0%
Restricted Business	100%	0%
Neighborhood Business	n/a	n/a
Commercial	100%	0%
Major Arterial	66%	34%
Industrial	100%	0%

CGR revised this distribution to reflect the faster rate of development in the Williamsville CSD portion of the Town. Based on conversations with Town Planning staff, the model assumes that development in the WCSD portion of the Town is occurring at about twice the rate of the rest of the Town. The above distribution of development is therefore adjusted accordingly. The following table indicates the single-year development assumptions used by CGR in the baseline model. For example, 90 percent of Residential A development in year 1 is assumed to take place in the CCSD portion of the Town, with the remaining 10 percent occurring in the WCSD portion.

Distribution of Development, Town of Clarence

	Annual Rate of Development	Clarence CSD Portion	Williamsville CSD Portion
Residential A	200 units	90% (180 units)	10% (20 units)
Residential B	12 units	60% (7 units)	40% (5 units)
Agricultural Residential	70 units	90% (63 units)	10% (7 units)
Multifamily Residential	35 units	90% (31 units)	10% (4 units)
Manufactured Housing	10 units	100% (10 units)	0 % (0 units)
Restricted Business	20,000 sf	100% (20,000 sf)	0% (0 sf)
Neighborhood Business	0 sf	n/a	n/a
Commercial	60,000 sf	100% (60,000 sf)	0% (0 sf)
Major Arterial	40,000 sf	66% (26,400 sf)	34% (13,600 sf)
Industrial	25,000 sf	100% (25,000 sf)	0% (0 sf)

Land Values

The model assumes land values for each development category, based on recent development experience, data from Stovroff & Potter Realtors, and discussions with the Town Assessor and Director of Planning. The low value range is characterized by homes with a median value of about \$200,000. The medium value range is around \$220,000, and the typical high-end home built in Clarence is roughly \$375,000. In addition to these three general categories, two “highest-end” categories were added to the value range to account for some of the most costly Residential A units. Of 1999 housing starts, about 2 percent of Residential A units were characterized as “dreamhouses,” with a median value of \$625,000. Another 1 percent were in the “highest end” value range, costing about \$1,000,000. The manufactured housing category – those units built in a commercial zoning district – are assumed to have a median value of \$60,000. The value ranges and distribution among the residential categories appears in the Appendix (Table 4).

Commercial/industrial land value is based on square footage. In other communities, CGR has relied on an Urban Land Institute (ULI) survey of industrial and office parks as the source of assumptions about the average square footage allocated to workers for industrial, office, and retail business firms. Using these square footage data as a guide, CGR refined nonresidential land value estimates based on recent development experience in the Town of

Clarence. The following table presents taxable values per square foot for commercial/industrial properties in Clarence, based on ULI data and discussions with Town Planning and Assessor staff, Nutter Associates, and data provided by the Town of Amherst Planning Department.

Commercial and Industrial Land Values, Town of Clarence

	<u>Value</u>
Restricted Business	\$50/sf
Commercial	\$75/sf
Major Arterial	\$30/sf
Industrial	\$30/sf

FINDINGS & CONCLUSIONS

Baseline Fiscal Impact Model Results

The baseline fiscal impact model incorporates all of the above assumptions and projects the tax effects of pursuing a full build-out development strategy given existing zoning, development densities, annual rates of development and residential/nonresidential land values.

Based on the assumptions and methodology noted above, the full build-out development strategy outlined in Nutter Associates' *Town of Clarence Land Use Service/Cost Revenue Generation Study Build Out Analysis* will decrease aggregate tax rates for all Town residents in the future.

The full build-out alternative, given current development densities and rates, would add roughly 317 new residential units to the Town of Clarence annually for the first three years, 293 residential units for years four through thirteen, 113 units in years fourteen and fifteen, 82 units in years sixteen and seventeen, and 75 units annually through year twenty. None of these values include an additional 10 units that may be added annually within the Town's commercial districts.

Commercial and industrial development would also expand in the full build-out scenario. Approximately 145,000 square feet of such space would be constructed annually for years one through fourteen, at which point the Town's restricted business space would be fully developed. Years fifteen through twenty would

yield 125,000 square feet of new commercial and industrial development.

This development alternative would raise Town General and Highway Fund taxes over a 20-year period, by 12 percent and 9 percent, respectively. Both of these increases, however, would be more than made up by decreases in the tax rates of both school districts. The Clarence CSD tax rate would fall by 5 percent, from a 2000 base of \$15.65 per \$1,000 assessed value to \$14.86. Similarly, the Williamsville CSD rate would drop by over 1 percent, from \$24.10 to \$23.78. At an aggregate level, that means a 3.6 percent decrease in property taxes for residents of the CCSD portion of the Town and a 0.5 percent drop for homeowners in the WCSD portion.

This scenario assumes that development of new residential units would necessitate a series of capital projects in the Clarence CSD and Williamsville CSD. The Clarence Central School District would need to add roughly 3,500 to its current enrollment capacity, at an aggregate bonding cost of more than \$28.2 million over twenty years. Slightly more than one-third of the new capacity is assumed to be expansion of existing buildings, with the rest being new school construction on greenfields. As the impact on WCSD from new homes in the Town is minimal, the model assumes the addition of 150 in its enrollment capacity (all expansion to existing space) at an aggregate bonding cost of about \$1.1 million over twenty years.

The complete impacts of the baseline build-out analysis are detailed in the Appendix (Table 5).

Such a long-term reduction in property taxes is the result of a proper mixture of residential and commercial/industrial development in the Town of Clarence. For the purposes of comparison, CGR modeled a residential-only approach to future Town development. The model assumes a 20-year moratorium on all commercial/industrial development, and maintains the same rates and values of residential development outlined above. Over twenty years with a residential-only development scenario, the whole town tax rate would jump by more than 17 percent (from \$0.81 to \$0.95), and the highway fund tax would rise by more than 14 percent (from \$0.77 to \$0.88). The Clarence CSD tax would

Development Alternative 1: Future Land Use Plan Results

remain steady at \$15.65, while the Williamsville CSD tax would fall by about 1 percent. Aggregate property taxes would rise by 1.5 percent (or 26 cents per \$1,000 assessed value) in the Clarence CSD portion of the Town and 2 cents per \$1,000 AV in the Williamsville CSD portion.

CGR modeled three unique scenarios for future development in the Town of Clarence. Each alternative is based on the same model and assumptions noted above, except for the rates and types of development. The three development alternatives were devised by Nutter Associates and Town of Clarence planning officials.

Alternative 1 is the “Alternative Zoning Map Option 1” or “Future Land Use Plan” developed by the Planning Board and Town Planning officials. The scenario reallocates 15,269 acres from the existing agricultural zone to two residential zones – a Rural Residential Zone with a minimum lot size of 0.75 acres, and a Single-Family Residential Zone with a minimum lot size of 0.28 to 0.34 acres. Commercially zoned land is maintained at approximately its present total, and industrially zoned land is reduced by approximately 500 acres.

The Future Land Use Plan scenario would add more than 2,800 additional agricultural-residential units to the Town. The 0.28 to 0.34 acre lots would provide for nearly 8,400 more residential units. Based on conversations with Nutter Associates, CGR distributed these 8,400 units into Residential A, Residential B and Multifamily using the same distributions as in the baseline build-out analysis (Clarence CSD portion is 77 percent Residential A, 7 percent Residential B, and 16 percent Multifamily; Williamsville CSD portion is 35 percent Residential A, 57 percent Residential B, and 8 percent Multifamily).

Commercial development would increase dramatically from the baseline buildout as a result of adding commercial space to the Williamsville CSD portion of the Town. Assuming 60,000 square feet of new commercial development in the CCSD portion each year – and double that rate in the Williamsville CSD portion – the Town would add 180,000 sf of new commercial space annually. As in the baseline buildout, Alternative 1 assumes 25,000 square feet of new industrial space per year (all in the CCSD portion).

The full scenario over 20 years, as well as annual rates in both subareas of the Town, appears in the following table.

Distribution of Development, Town of Clarence (Alternative 1)

	Total Buildout	Annual Rate of Development	CCSD Portion	WCSD Portion
Residential A	6,143 units	200 units	180 units	20 units
Residential B	955 units	12 units	7 units	5 units
Agricultural Residential	2,836 units	70 units	63 units	7 units
Multifamily Residential	1,282 units	35 units	31 units	4 units
Manufactured Housing	250 units	10 units	10 units	0 units
Commercial	5,575,680 sf	180,000 sf	60,000 sf	120,000 sf
Industrial	5,580,036 sf	25,000 sf	25,000 sf	0 sf

This development scenario would raise both General Fund and Highway Fund taxes over a 20-year period. The Town's General Fund expenditures would increase from \$0.81 to \$0.94 per \$1,000 assessed value, a jump of 16 percent. The Highway Fund would rise by 13 percent, from \$0.77 to \$0.87 per \$1,000 AV.

Similar to the baseline buildout analysis, however, reductions in school tax rates would surpass the General Fund and Highway tax increases in both the CCSD and WCSD portions of the Town. Taxpayers in the Clarence CSD would see a 5.0 percent reduction in school taxes and a 3.5 percent drop in aggregate property taxes (from \$17.23 to \$16.63 per \$1,000 AV) over 20 years. Property owners in the Williamsville CSD portion would experience a 4.5 percent decline in the school tax rate and 3.3 percent drop in aggregate property taxes (from \$25.67 to \$24.81).

Alternative 1 assumes that increased residential development in the Town would require capital construction in both school districts. The Clarence CSD would need to add roughly 5,000 in student capacity, at an aggregate bonding cost of \$30.7 million over 20 years. Williamsville CSD would be required to raise its capacity by 300, at a bonded cost of \$2.2 million over 20 years.

The complete impacts of Alternative 1, Future Land Use Plan, are detailed in the Appendix (Table 6).

**Development
Alternative 2:
Enhanced
Commercial/
Industrial**

The second alternative development scenario modeled by CGR assumes increased, and higher value, commercial and industrial development in the Town of Clarence.

Alternative 2 enhances commercial and industrial development by focusing on new office park, flex-space and planned industrial park types of development. It assumes a faster pace of development and higher values within commercially and industrially zoned areas of the Town, facilitated by the creation of special office park and industrial park zoning districts. The scenario uses the same land use category acreages as Alternative 1.

The Enhanced Commercial/Industrial alternative would add the same number of residential units to the Town over 20 years as the Future Land Use Plan: a combined 6,600 of Residential A, Residential B, Agricultural Residential and Multifamily.

The model assumes the creation of a separate “Flex-Space” category in the Clarence CSD portion of the Town, developing at 20,000 square feet per year. The rate of commercial development in the CCSD portion is roughly doubled from Alternative 1, to a rate of 100,000 square feet annually (in addition to Flex-Space). Industrial development also experiences an increased rate in Alternative 2, to 60,000 square feet per year. Commercial development in the Williamsville CSD remains 120,000 square feet per year, the same as in Alternative 1. Given the limited space available for additional commercial space in the WCSD portion of the Town, the 120,000 square feet rate will be fully developed in 9 years.

There are two alterations to the baseline occurring in Alternative 2. In addition to increased commercial-industrial development, development values in commercial and industrial zoning districts are also assumed to be greater. Commercial development is valued at \$100/sf, up from \$75/sf in the baseline and Alternative 1. Industrial values were increased from \$30/sf to \$50/sf. Finally, the separate Flex-Space category was valued at \$50/sf.

Distribution of Development, Town of Clarence (Alternative 2)

	Total Buildout	Annual Rate of Development	CCSD Portion	WCSD Portion
Residential A	6,143 units	200 units	180 units	20 units
Residential B	955 units	12 units	7 units	5 units
Agricultural Residential	2,836 units	70 units	63 units	7 units
Multifamily Residential	1,282 units	35 units	31 units	4 units
Manufactured Housing	250 units	10 units	10 units	0 units
Commercial (total)	5,575,680 sf*	240,000 sf	120,000 sf	120,000 sf
<i>Flex-Space</i>		20,000 sf	20,000 sf	0 sf
Industrial	5,580,036 sf*	60,000 sf	60,000 sf	0 sf

This development scenario would drive up General Fund taxes Townwide to \$0.89 per \$1,000 AV, a jump of nearly 10 percent. Highway Fund taxes would similarly rise, by 6.5 percent to \$0.82 per \$1,000 AV.

Aggregate property taxes would fall, however. School district taxes would fall even more than in Alternative 1, the result of increased commercial/industrial development and higher land values in those zoning districts. The CCSD tax rate would drop by 10.4 percent, and the WCSD rate would decline by 5.4 percent over 20 years. Overall, that means an 8.7 percent decrease in aggregate property taxes for CCSD portion taxpayers, and a 4.5 percent drop in aggregate taxes for WCSD portion residents.

The impacts on both school districts from Alternative 2 are identical to those in Alternative 1, since the second scenario assumes the same amount and rate of residential development. The Clarence CSD would need to increase its student capacity by roughly 5,000 students over the 20-year period, at an aggregate bonded cost to taxpayers of slightly more than \$30 million. The Williamsville CSD would have to increase capacity by approximately 300 students as a result of residential development in the Town of Clarence, with a bonded cost to WCSD taxpayers of \$2.2 million.

The complete impacts of Alternative 2, Enhanced Commercial/Industrial Development, are detailed in Appendix Table 7.

Development Alternative 3: Lower Density Residential

Development Alternative 3 emphasizes the preservation of green space in the Town of Clarence through a strategy of lower density residential development. The scenario enhances open space preservation, including active farmland, by adding an Agricultural Conservation category with minimum 5-acre lot sizes. This is accomplished by increasing minimum lot sizes in the remaining land use categories and by using Purchase of Development Rights (PDR) as a tool for maintaining low density in the Agricultural Conservation district.

More than 8,600 acres are reallocated to the Agricultural Conservation district, with residential lots of 5 acres. The 9,600 acres allocated in the first two alternatives to .75-acre Rural Residential zoning is reallocated to 1.33-acre Agricultural Residential land use. The amount of land zoned for lowest-density single family residential development (0.28 to 0.34-acre lots) is also reduced; 5,000 acres are allocated to .75-acre Rural Residential. Total developable acreage in single family residential zones is reduced to 4,000.

In addition to the amount and rate of development indicated in the table below, Alternative 3 assumes a PDR of \$2 million bonded at an interest rate of 10 percent over 20 years.

Distribution of Development, Town of Clarence (Alternative 3)

	Total Buildout	Annual Rate of Development	CCSD Portion	WCSD Portion
Residential A	3,245 units	200 units	180 units	20 units
Residential B	295 units	12 units	7 units	5 units
Agricultural Residential	2,316 units	70 units	63 units	7 units
Multifamily Residential	674 units	35 units	31 units	4 units
Manufactured Housing	250 units	10 units	10 units	0 units
Commercial (total)	5,575,680 sf	240,000 sf	120,000 sf	120,000 sf
Industrial	5,580,036 sf	60,000 sf	60,000 sf	0 sf

The lower density residential development scenario would see the largest general fund and highway tax increases of the alternatives modeled in this analysis. The Town's general fund tax rate would rise by 25 percent, from \$0.81 to \$1.01 per \$1,000 assessed value. The highway tax rate would see a similar increase, jumping by nearly 12 percent over 20 years, from \$0.77 to \$0.86 per \$1,000 AV.

Aggregate property taxes would fall slightly in both the CCSD and WCSD portions of the Town. Clarence CSD residents would see a 2.6 percent reduction in total property tax rate over 20 years, and Williamsville CSD residents would experience a 3 percent drop.

Larger lot sizes – and a resulting fewer number of residential units over the 20-year period – would result in slightly lower capacity increases in the Clarence CSD. The district would need to add roughly 4,700 in additional capacity, at an aggregate bonding cost of \$30.5 million over the 20-year period. As in Alternative 2, the Williamsville CSD would add approximately 300 in capacity at a bonded cost of \$2.2 million over the 20-year period.

The complete impacts of Alternative 3, Lower Density Residential Development, are detailed in the Appendix (Table 8).

**Development
Alternative 4:
Enhanced
Commercial/
Industrial with
Low-rate
Residential**

Development alternative 4 assesses the enhanced commercial and industrial rates used in Alternative 2 along with lower-rate residential development.

As in Alternative 2, the model increases the rates of commercial and industrial development by focusing on office park, flex-space and planned industrial park developments. The annual rate of commercial development in the CCSD portion of the Town is assumed to be 100,000 square feet, with another 20,000 square feet of multi-use flex-space. Industrial development in the CCSD portion is modeled at 60,000 square feet per year. Available commercially-zoned land in the WCSD portion of Clarence is developed at 120,000 square feet per year until full build-out (roughly 9 years). Development values in commercial and industrial zoning districts is increased from the baseline model, to the same values used in Alternative 2.

Distribution of Development, Town of Clarence (Alternative 4)

	Total Buildout	Annual Rate of Development	CCSD Portion	WCSD Portion
Residential A	6,143 units	100 units	90 units	10 units
Residential B	955 units	6 units	3 units	3 units
Agricultural Residential	2,836 units	35 units	32 units	3 units
Multifamily Residential	1,282 units	17 units	15 units	2 units
Manufactured Housing	250 units	5 units	5 units	0 units
Commercial (total)	5,575,680 sf	240,000 sf	120,000 sf	120,000 sf
<i>Flex-Space</i>		<i>20,000 sf</i>	<i>20,000 sf</i>	<i>0 sf</i>
Industrial	5,580,036 sf	60,000 sf	60,000 sf	0 sf

The lower rate of residential development, coupled with increased commercial and industrial tax base, would have a minimal impact on Town General Fund and Highway tax rates. The Whole Town tax rate would increase one cent, to \$0.82 per \$1,000 assessed value. The Highway tax rate would remain roughly the same, at \$0.77 per \$1,000 assessed value.

As would be expected, aggregate property taxes fall at a greater rate than in Alternative 2. Fewer residents and housing units are being added to the Town, and significantly fewer children are added to the Clarence and Williamsville Central School Districts. The CCSD tax rate would drop by about 14 percent over 20 years, and the WCSD rate would fall by 5 percent. Overall, property tax payers in the Clarence portion would experience an 11.6 percent drop, while those in the WCSD portion would see a 4 percent decline.

As noted, the impacts on both school districts – while dramatic – are considerably lower than in Alternative 2. The model assumes that the CCSD would need to add roughly 2,200 in new capacity to absorb the residential development, at a bonded cost of about \$11 million over 20 years. The WCSD would have to add about 130 in additional capacity at a cost of nearly \$500,000.

The complete impacts of Alternative 4, Enhanced Commercial/Industrial with Low-Rate Residential Development, are detailed in the Appendix (Table 9).

Property Tax- Increasing Development Scenarios

The baseline build-out model and each of the three development scenarios lowered property taxes for residents in both the Clarence CSD and Williamsville CSD portions of the Town. While the general fund and highway tax rates rose in each case, those increases were surpassed by declines in tax rates for each school district.

Such reductions in property taxes are not serendipitous, however. They are the result of development strategies that include a proper mixture of residential and commercial/industrial development. To illustrate this point, CGR modeled a development scenario in which the Town of Clarence would add only 285 low-end residential units annually for the next 20 years, along with commercial/industrial space at about half the rate of the baseline model. Under such a development strategy, residents would see significant property tax increases – over 10.5 percent in the Clarence CSD portion alone.

Certainly, not every potential development scenario will reduce taxes in the Town of Clarence. A relatively low operating cost per student and a concentration of new residential units in the mid-to-high value range will combine to keep property taxes stable or drive them down, however, as is the case with the alternatives modeled above.

The “Break-Even” Home

Based on CGR’s analysis and the assumptions outlined above, a new housing unit *in the Clarence CSD* (with 2.9 persons and 1.02 school-aged children) must be worth about \$225,000 if the aggregate tax rate is to remain constant after the home has been built and added to assessment rolls. On average, homes selling for less than \$225,000 add more to aggregate costs than to aggregate revenue in the Town.

New homes in the Williamsville CSD have a “break-even” value just under \$200,000.

This is an estimate only and should be considered an average over a significant amount of construction. The cost of public services does not rise in a constant, smooth line. For example, the school district might be able to add five third-graders to a particular elementary school without incurring any significant additional costs. The sixth student could force the district to add an

additional class, with all of the costs associated with such a decision. The sixth student is not responsible for the all these additional costs, although he or she may have triggered the expenditure.

Conclusion

CGR's fiscal impact model is designed to help the Town of Clarence assess the fiscal implications of its land use alternatives. The model forecasts the net change in taxes paid by current residents and tax rate trends over a twenty year time horizon for the Town of Clarence and the Clarence and Williamsville Central School Districts. The model's forecasts are based on current development patterns, socio-economic characteristics of the community, fiscal features of the Town of Clarence, the Clarence/Williamsville school districts, and assumptions about the relationship between growth and costs of service provision.

The model's conclusions suggest that new homes must have a value of roughly \$225,000 in the Clarence CSD portion of the Town and \$200,000 in the Williamsville CSD portion to bring more revenue to the community than cost. This is due principally to the cost of local schools.

Based on analysis by the Clarence Central School District and new housing starts data provided by the Town of Clarence Assessor's office, the model forecasts school costs on the assumption that each new home will contribute, on average, slightly more than one school-aged child to the community. Housing types that bring fewer students to the school districts (such as retirement housing) or more (certain types of multifamily housing) would influence the conclusions accordingly.

The long-term stability or reduction of property taxes will be the result of a proper mixture of residential and commercial/industrial development in the Town of Clarence. Calculated over a 20-year time horizon, the Town's Future Land Use Plan will push aggregate property taxes 3.5 and 3.3 percent lower in the CCSD and WCSD portions of the Town, respectively. An enhanced commercial/industrial development strategy would see aggregate property taxes fall by a larger amount over 20 years – between 4.5 and 9 percent Townwide according to Alternative 2 modeled above. The lower density residential development scenario

modeled above would still reduce property taxes long-term, by approximately 3 percent Townwide.

APPENDIX